

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of)

Local Exchange Carriers' Rates,)
Terms, and Conditions for)
Expanded Interconnection Through)
Virtual Collocation for)
Special Access)
and Switched Transport)

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

CC Docket No. 94-97
Phase I

DOCKET FILE COPY ORIGINAL

DIRECT CASE

BellSouth Telecommunications, Inc. ("BellSouth") files this Direct Case in compliance with the Commission's order in the above-referenced proceeding.¹ The Order directs BellSouth and other Tier 1 local exchange carriers (LECs) to provide further detail regarding the derivation of overhead loadings assigned to virtual collocation rate elements.² Filing parties are also required to explain any discrepancy between overheads assigned to virtual collocation elements and overhead factors reflected in the rates of "comparable" LEC services. Using this data, the Commission proposes to determine whether overhead loadings applied to virtual collocation meet the statutory standard of just and reasonable.

Exhibits 1 through 5 of the filing address specific

¹ Order Designating Issues for Investigation, DA 95-374, released February 28, 1995 (hereinafter "Order" or "Investigation Order").

² The Order imposes some additional information requirements on Bell Atlantic, which are not addressed herein.

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data requests contained in the Investigation Order. While the provision of such information is unobjectionable, BellSouth is fundamentally opposed to the underlying premises and methodology employed in this investigation, which are unsuitable tools for any reasonable assessment of LEC overhead loadings. As described below, the Commission has adopted an invalid review standard and applied it unfairly to BellSouth overhead loading factors, with predictably arbitrary results. Finally, even a cursory examination of BellSouth's tariff demonstrates that overhead loadings were rationally developed and produce no more than a reasonable allocation of general expenses to the users of virtual collocation service.

DISCUSSION

1. The Commission standard for review of overhead loading factors is arbitrary and unreasonable.

As a threshold matter, the Commission has chosen an invalid standard to evaluate the reasonableness of LEC overhead loadings. The Order assumes comparability between virtual collocation services and a LEC's competitive switched transport and special access. A further assumption is made that these "comparable" services should reflect uniform overhead loading factors, with special justification required for any disparities observed between virtual collocation and the LEC offerings. Finally, the Commission has made a preliminary finding of unreasonableness, based upon its conclusion that BellSouth and other LECs have

targeted overhead loadings to specific markets, according to the presence or absence of competitive alternatives.³ None of these premises is sustainable.

Apart from certain support functions (electricity, HVAC, etc.) the only "service" a LEC provides in a virtual collocation arrangement is the DS1/DS3 cross-connect. This single element is in no way comparable to the communication channel a LEC provides to customers of its switched transport and special access services. In fact, the only meaningful comparison possible is between LEC services and those of the competitive access provider (CAP). Overhead loadings assigned to CAP services will, of course, be reflected in the provisioning costs and cost structure of that CAP. While costs attributable to the cross-connect panel (including LEC-assigned overheads) will be included in the total, these constitute only a part--and indeed, a small part--of CAP costs.

Not only is the premise of comparable services flawed; so too is the Commission's view that these ostensibly comparable services should display uniform overhead loadings. Such a requirement has not heretofore been imposed in the course of this protracted docket. Similarly,

³ "[I]t appeared that the great disparity in loadings primarily reflected market conditions: most LECs tended to assign low overheads in markets where they faced actual or potential competition from interconnection, and high overheads where they did not. In light of this practice, we concluded that most LECs' proposed overhead loadings appeared unreasonable." Order, para. 8.

the Commission has never required uniformity across LEC services, and these in fact display a range of loading factors. There is no rational support for the principle adopted here that any variation in overheads between virtual collocation and LEC services is presumptively unreasonable.

Finally, any assumption that overhead factors are assigned according to the characteristics of specific market segments is demonstratively false. All DS1 and DS3 offerings provided by BellSouth do not reflect the same loading factor; nevertheless, all such offerings face competition from CAPs. Even more significant, there is no variation across markets in the overhead loading assigned to a specific service. BellSouth does not--and at this time, cannot--offer geographically deaveraged rates. The unreasonable practice identified by the Order is in fact nonexistent.

2. The standard is unfairly applied to BellSouth overhead loadings.

As shown above, the standard of review selected by the Commission is fundamentally invalid. Moreover, its application to BellSouth's overhead loading factors is inherently biased. Having insisted upon uniformity of loadings between virtual collocation and LEC services, the Order proceeds to a comparison of overheads between the DS1/DS3 cross-connect and BellSouth's switched transport service. Not incidentally, the switched transport loading is the lowest in a range of factors from 17% to 727% which

are applied to BellSouth DS1 and DS3 services.⁴

This approach ignores the demonstration in BellSouth's tariff filing that overheads were rationally developed using annual cost factors to establish a just and reasonable loading for the DS1/DS3 cross-connect element. Neither the Commission nor any party to this proceeding has shown that BellSouth applied inaccurate factors. Likewise, no other substantive challenge has been made to the methodology described. Moreover, the tariff documentation showed that this method produced an overhead loading for the DS1/DS3 cross-connect which compared favorably to the range of factors assigned across BellSouth's DS1 and DS3 service offerings.

In effect, the Order requires extraordinary justification for any virtual collocation overhead which exceeds the lowest factor applicable to DS1 and DS3 services. Thus, it constrains all DS1/DS3 offerings to maintain an overhead loading at least equivalent to the cross-connect element, which represents only a small component of CAP service and service costs. Such a requirement could render BellSouth services noncompetitive with those of CAPs--a result neither desired by the

⁴ The switched transport loading of 17% is a consequence of local transport restructure. To implement this change, BellSouth used rates and rate structures in effect in September 1992, which alone carried a presumption of reasonableness by the Commission.

Commission nor consistent with the public interest.⁵

3. BellSouth has applied reasonable overhead loadings to virtual collocation and its competitive services.
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Even assuming that provision of the cross-connect in a virtual collocation arrangement is similar to the provision of DS1 and DS3 services and that meaningful comparisons are possible respecting the overhead loadings assigned to each, BellSouth's rates for virtual collocation are within the permissible range defined by Section 201 of the Communications Act, 47 U.S.C. § 201. That section does not require absolute parity between virtual collocation and any particular BellSouth service; nor--contrary to the implication of the Investigation Order--does it require that virtual collocation rates reflect an overhead loading no greater than the lowest factor assigned to any BellSouth service. It requires only that an overhead factor assigned to virtual collocation rate elements falls within a range whose parameters are the highest and lowest overhead loadings assigned to "comparable" BellSouth services. BellSouth has demonstrated compliance with this mandate.

Furthermore, comparisons between service to CAPs and DS3 must make allowance for the array of DS3 services offered by BellSouth. These services comprise both switched transport and special access, each type having

⁵ By contrast, the rate for DS1/DS3 cross-connect filed by BellSouth is so small it can have no discernible effect on the competitive position of CAPs.

particularized rules that apply to this Company but not to CAPs. A single cross-connect will enable a CAP to provide every type of DS3 service available from BellSouth. If the Commission's premise of comparability is accepted, the overhead loading applied to such a cross-connect element should reflect a blending or weighted average of factors assigned to the various DS3 services with which the facility may be connected.

CONCLUSION

The Investigation Order adopts an invalid standard of review and applies this standard unfairly to the evaluation of BellSouth overhead loadings. The results obtained from this process offer no basis for reasoned decisionmaking. Instead, the Commission must examine the tariff support provided by BellSouth and review the procedure employed to develop overhead loadings for virtual collocation. Under any reasonable criteria, these factors compare favorably to the range of overheads reflected in DS1 and DS3 service rates and meet statutory requirements under Section 201 of

the Act. Accordingly, the Commission should terminate this investigation with respect to BellSouth and allow rates for virtual collocation as stated in Transmittal No. 223 to take effect without further delay.

Respectfully submitted,

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EXHIBIT 1

Numbering of responses corresponds to numbered paragraphs of the Order Designating Issues for Investigation, DA 95-374, released February 28, 1995.

17a. BellSouth maintains that there are no BellSouth services which are comparable to those services provided in a virtual collocation arrangement. See main body of pleading.

17b. Exhibit 2 includes the investment components for DS1 virtual collocation service, DS3 virtual collocation service, DS1 Local Channel 49/72 Months, and DS3 Switched Transport Local Channel. The DS1 Local Channel 49/72 Months and DS3 Local Channel are defined as comparable services by the Bureau. In Appendix C to the Virtual Collocation Tariff Suspension Order, the Bureau identified the DS3 Switched Transport Local Channel as the "comparable DS3 service" with the lowest overhead loading (1.17) and the DS1 virtual collocation service for DS1 service (1.30). For BellSouth the next lowest overhead loading for a DS1 service is 1.48 for the DS1 Local Channel 49/72 Months.¹

Investments and costs for the DS1 Local Channel were filed in BellSouth Transmittal No. 91, February 5, 1993. BellSouth has not developed costs for the DS3 Switched Transport Local Channel, since it was filed as an offering in the Local Transport Restructure and cost support was not required. Therefore, the investments and costs for LightGate® Service 1 Month-to-Month, a single DS3, are used to support the DS3 Switched Transport Local Channel in Exhibit 2. The LightGate 1 costs were also used to calculate the overhead loadings in BellSouth Transmittal No. 223, Volume 1-2, Attachment B, Workpaper 2. The LightGate 1 investments and costs were filed in BellSouth Transmittal No. 53, July 31, 1992.

17c. Direct costs for the two virtual collocation services and the DS1 Local Channel 49/72 Months were developed by applying regional annual cost factors to regional investment components. The annual cost factors used in the virtual collocation services cost study are included in Exhibit 3C and the factors used in the DS1 Local Channel cost study are included in Exhibit 3A. The LightGate 1 Local Channel cost was developed by applying state specific annual cost factors to weighted state specific investments and then adding to determine a regional cost. The annual cost factors are included in Exhibit 3B.

¹ BellSouth Transmittal No. 223, Volume 1-2, Attachment B, Workpaper 2.

The factors are different for various services since the studies were conducted at different times and the LightGate factors are state specific. Additionally, nonreusable plant was identified in the LightGate 1 cost study. A one-year annual cost factor was used to calculate the month-to-month contract plan monthly costs for the nonreusable plant and the average service life annual cost factors were used to calculate the reusable plant monthly cost.

17d. The DS1 Local Channel and the LightGate Local Channel (DS3 Switched Transport Local Channel) are paths from the central office to the customer's location. Each path consists of equipment in the central office and at the customer's premises connected by outside plant facilities consisting of copper (DS1 only), fiber, poles, and conduit. In addition, the DS1 also includes equipment located outside the central office in hub locations. Exhibit 2 details the amount of investment by service for each of the categories of plant (USOA FRC) per local channel. Exhibit 4A indicates the unit investment included in Exhibit 2 that is located in the central office and its purpose. Exhibit 4B includes the TRP forms for these investments.

The DS1 Local Channel cost study includes five network designs with probabilities of occurrence of each design, both for an end user and for a POP location. One of the designs consists of copper terminated in the central office on the main distributing frame. The other designs are various architectures for fiber with and without hub locations. Due to the complexity of the cost study, the individual central office investments, such as the 257C and 357C circuit equipment, are not available. Therefore, the investments included on Exhibits 4A and 4B are estimated to be 50% of the total 257C and 357C and 100% of the total 377C investments for the DS1 local channel. The land and buildings support investments are recalculated as appropriate.

17e. The virtual collocation offering includes only the cross-connect element between the DSX panel where BellSouth service terminates and the collocator equipment. By contrast, BellSouth services viewed as comparable by the Commission provide a connection between a customer premises and a central office and include investment associated with termination equipment at the customer premises, outside plant and central office termination equipment. For further explanation, see main body of pleading.

17f. See Exhibit 5.

22. The Bureau considered "a rate element dedicated to DS1 or DS3 level interconnection if it would only be

acquired together with DS1 or DS3 level cross-connects, respectively."² Per this definition, the BellSouth virtual collocation rate elements that are nondedicated are:

- Application Fee (Per Location)
- Cable Installation Charge (Per Cable)
- Cable Support Structure (Per Cable)
- Floor Space
 - Per Square Foot
 - Per Ampere
- Security Escort
- Training, Per Trainee
 - Living Expenses, per day
 - Labor rate, per hour or fraction thereof
 - Basic Time
 - Overtime
 - Premium Time
 - Air Fare/Travel Expense, per trip

24. The method used by BellSouth to determine the nonrecurring cost for a particular rate element is as follows: The work times for each work function by work group are identified based on estimates by persons who perform these functions. These work times are multiplied by the appropriate labor rate and summed to determine the total cost for that rate element.

The labor rate used in the virtual collocation cost study is a fully assigned labor rate plus fixed costs. The fully assigned labor rate is developed by adding indirect administration, unclassified support, unclassified costs, and benefits to the directly assigned labor rate. Total fixed costs are loadings added to the labor rates to include general overhead cost, i.e., land and building (other than central offices), furniture, office equipment, and personal computers. The methodology used to develop labor rates is explained in detail in BellSouth Transmittal No. 223, Volume 1, Section 3.7.

Since the nonrecurring costs are developed based on the number of hours required to provision the service and the labor rate includes overheads on an hourly basis, the term of service is not related to the amount of nonrecurring cost incurred by BellSouth. Therefore, there is no need for BellSouth to make provisions for refunds of overheads included in the nonrecurring rates.

² Order Designating Issues for Investigation, p.12 at n.49.

For DS1 and DS3 services which the Commission has deemed comparable, overhead loadings are recovered only through recurring rate elements. Given the numerous recurring rate elements associated with BellSouth's DS1 and DS3 services, there is no need to recover overhead costs in the nonrecurring charge.

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UNIT INVESTMENTS

Account Code	Field Reporting Code	Item	Description	Amount
DS1 - Local Channel				
2232.12	257C	Circuit Equipment - Digital Pair Gain	Lightwave terminal, fiber optic splicing terminal, DSX-1 cross-connect panel, 3/1 multiplexer, DSX-3 cross-connect panel	\$1,054.86
2232.13	357C	Circuit Equipment - Other Digital	Lightwave terminal, fiber optic splicing terminal, DSX-1 cross-connect panel, 3/1 multiplexer, DSX-3 cross-connect panel	\$1,536.85
2212.1	377C	Electronic Digital Equipment	Connectors mounted on the main distributing frame or equivalent, to continue the transmission path to digital electronic switching equipment	\$5.53
2362.3	758C	Subscriber Pair Gain Equipment	Lightwave terminal, fiber optic splicing terminal, DSX-1 cross-connect panel, 3/1 multiplexer, DSX-3 cross-connect panel, located at a customer's premises and dedicated to one customer	\$108.98
2111	20C	Land	Land associated with equipment listed above	\$6.04
2121.9	10C	Buildings	Buildings associated with equipment listed above	\$120.46
2411.1	1C	Poles	Poles, crossarms, guys and other material used in constructing pole lines	\$23.07
2441.1	4C	Conduit	Conduit and other associated material whether underground, in tunnels, or on bridges that is constructed so as to be reused in place	\$82.14
2421.12	12C	Building Entrance Cable - Metallic	Metallic conductor cable that either enters a building or terminates on the outside of a building in order to provide access service to that building	\$22.36
2421.22	812C	Building Entrance Cable - Fiber	Optical fiber cable that either enters a building or terminates on the outside of a building in order to provide access service to that building	\$22.36
2421.11	22C	Aerial Cable - Metallic	Aerial metallic conductor cable and other associated equipment	\$80.32
2423.11	45C	Buried Cable - Metallic	Metallic conductor cable and other associated equipment that is buried in the ground	\$116.44
2422.11	5C	Underground Cable - Metallic	Metallic conductor cable and other associated material placed in underground conduit	\$34.56
2421.21	822C	Aerial Cable - Fiber	Aerial optical fiber cable and other associated equipment	\$62.96
2423.21	845C	Buried Cable - Fiber	Optical fiber cable and other associated equipment that is buried in the ground	\$128.41
2421.21	85C	Underground Cable - Fiber	Optical Fiber cable and other associated material placed in underground conduit	\$112.16

UNIT INVESTMENTS

Account Code	Field Reporting Code	Item	Description	Amount
DS3 Switched Transport Local Channel				
2232.12	257C	Circuit Equipment – Digital Pair Gain	Lightwave terminal, fiber optic splicing terminal, DSX–3 cross–connect panel	\$12,951.35
2362.3	758C	Subscriber Pair Gain Equipment	Lightwave terminal, fiber optic splicing terminal, DSX–3 cross–connect panel located at a customer's premises and dedicated to one customer	\$19,470.35
2111	20C	Land	Land associated with equipment listed above	\$38.78
2121.9	10C	Buildings	Buildings associated with equipment listed above	\$843.63
2411.1	1C	Poles	Poles, crossarms, guys and other material used in constructing pole lines	\$29.77
2441.1	4C	Conduit	Conduit and other associated material whether underground, in tunnels, or on bridges that is constructed so as to be reused in place	\$2,742.26
2421.21	822C	Aerial Cable – Fiber	Aerial optical fiber cable and other associated equipment	\$190.70
2423.21	845C	Buried Cable – Fiber	Optical fiber cable and other associated equipment that is buried in the ground	\$3,161.40
2421.21	85C	Underground Cable – Fiber	Optical Fiber cable and other associated material placed in underground conduit	\$7,945.06

UNIT INVESTMENTS

Account Code	Field Reporting Code	Item	Description	Amount
CROSS-CONNECT PER DS1				
2232.13	357C	Circuit Equipment – Other Digital	DSX-1 cross-connect panel	\$242.46
2111	20C	Land	Land associated with DS1	\$0.36
2121.9	10C	Buildings	cross-connect equipment	
			Buildings associated with DS1	\$4.78
			cross-connect equipment	
CROSS-CONNECT PER DS3				
2232.13	357C	Circuit Equipment – Other Digital	DSX-3 cross-connect panel	\$2,028.33
2111	20C	Land	Land associated with DS3	\$3.00
2121.9	10C	Buildings	cross-connect equipment	
			Buildings associated with DS3	\$39.98
			cross-connect equipment	
CABLE SUPPORT STRUCTURE (PER CABLE)				
2232	357C	Circuit Equipment – Other Digital	Cable rack riser	\$480.39
2111	20C	Land	Land associated with cable rack	\$0.71
2121.9	10C	Buildings	riser	
			Buildings associated with cable	
			rack riser	
FLOOR SPACE (PER SQ. FT.)				
2111	20C	Land	Regional book gross investment for	\$2.75
			land associated with central office	
			building floor space per assignable	
			square foot	
2121.9	10C	Buildings	Regional book gross investment for	\$133.91
			central office building floor space per	
			assignable square foot and	
			investment in support items to	
			prepare site for equipment installation,	
			including: lighting, overhead racks,	
			bay framing, AC power outlets and	
			miscellaneous items, per square foot	
FLOOR SPACE (PER AMPERE)				
2211	77C	Analog Electronic Equipment	Equipment associated with analog	\$62.12
			electronic switching equipment	
			to provide standard 48V DC power	
			per ampere	
2212	377C	Digital Electronic Equipment	Equipment associated with digital	\$62.12
			electronic switching equipment	
			to provide standard 48V DC power	
			per ampere	
2111	20C	Land	Land associated with equipment	\$0.18
			listed above	
2121.9	10C	Buildings	Buildings associated with	\$2.45
			equipment listed above	

DS1 LOCAL CHANNEL

BELLSOUTH REGIONAL ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	0.1167	0.0769	0.0339	0.0169	0.0121	0.0364	0.2929
Circuit-Other Dig.	357C	0.1171	0.0766	0.0337	0.008	0.0121	0.0364	0.2839
Elect. Digital Eq.	377C	0.0719	0.0831	0.0371	0.0342	0.0121	0.0364	0.2748
Subscriber PG	758C	0.2394	0.0859	0.0364	0.007	0.0121	0.0364	0.4172
Land	20C	0	0.1192	0.0537	0	0.0121	0	0.185
Buildings	10C	0.0259	0.1146	0.051	0.0037	0.0121	0	0.2073
Poles	1C	0.0633	0.102	0.0448	0.0323	0.0121	0.0364	0.2909
Conduit	4C	0.0235	0.1079	0.0483	0.003	0.0121	0.0364	0.2312
Bldg. Ent.- Met.	12C	0.0732	0.0981	0.042	0.0582	0.0121	0.0364	0.32
Bldg. Ent.-Fiber	812C	0.058	0.1029	0.0456	0.0154	0.0121	0.0364	0.2704
Aer. Ca.-Metallic	22C	0.0732	0.0981	0.042	0.0582	0.0121	0.0364	0.32
Bur. Ca.-Metallic	45C	0.0672	0.0984	0.0428	0.0534	0.0121	0.0364	0.3103
UG Ca.-Metallic	5C	0.0731	0.0966	0.0409	0.0205	0.0121	0.0364	0.2796
Aer. Cable - Fiber	822C	0.058	0.1029	0.0456	0.0154	0.0121	0.0364	0.2704
Bur. Cable - Fiber	845C	0.0583	0.1032	0.0458	0.0119	0.0121	0.0364	0.2677
UG Cable - Fiber	85C	0.0607	0.1029	0.0454	0.0097	0.0121	0.0364	0.2672

**LIGHTGATE SERVICE
ALABAMA STATE SPECIFIC**

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
AVERAGE SERVICE LIVES FOR USE WITH REUSABLE PLANT IN ALL CONTRACT PLANS**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	0.1231	0.0737	0.03	0.017	0.0095	0.0476	0.3009
Subscriber PG	758C	0.2417	0.0831	0.0321	0.0028	0.0095	0.0476	0.4168
Land	20C	0	0.1194	0.0503	0	0.0095	0	0.1792
Buildings	10C	0.0261	0.1148	0.0481	0.0029	0.0095	0	0.2014
Poles	1C	0.0562	0.1017	0.0416	0.0304	0.0095	0.0476	0.287
Conduit	4C	0.0302	0.1069	0.0447	0.0024	0.0095	0.0476	0.2413
Aer. Cable - Fiber	822C	0.064	0.1014	0.0421	0.0131	0.0095	0.0476	0.2777
Bur. Cable - Fiber	845C	0.0711	0.1003	0.042	0.0087	0.0095	0.0476	0.2792
UG Cable - Fiber	85C	0.0666	0.1013	0.0419	0.0087	0.0095	0.0476	0.2756

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
1 YEAR SERVICE LIFE FOR USE WITH NON-REUSABLE PLANT IN M-T-M CONTRACT PLAN**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	1	0.0646	0.0272	0.017	0.0095	0.0476	1.1659
Subscriber PG	758C	1	0.0646	0.0272	0.0028	0.0095	0.0476	1.1517
Land	20C	0	0.1245	0.0524	0	0.0095	0	0.1864
Buildings	10C	1	0.0646	0.0272	0.0029	0.0095	0	1.1042
Poles	1C	1	0.0646	0.0272	0.0304	0.0095	0.0476	1.1793
Conduit	4C	1	0.0646	0.0272	0.0024	0.0095	0.0476	1.1513
Aer. Cable - Fiber	822C	1	0.0646	0.0272	0.0131	0.0095	0.0476	1.162
Bur. Cable - Fiber	845C	1	0.0646	0.0272	0.0087	0.0095	0.0476	1.1576
UG Cable - Fiber	85C	1	0.0646	0.0272	0.0087	0.0095	0.0476	1.1576

**LIGHTGATE SERVICE
FLORIDA STATE SPECIFIC**

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
AVERAGE SERVICE LIVES FOR USE WITH REUSABLE PLANT IN ALL CONTRACT PLANS**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	0.1078	0.0808	0.0358	0.0132	0.0122	0.0383	0.2881
Subscriber PG	758C	0.1733	0.0859	0.0361	0.0071	0.0122	0.0383	0.3529
Land	20C	0	0.1192	0.0533	0	0.0122	0	0.1847
Buildings	10C	0.02	0.1161	0.0515	0.0041	0.0122	0	0.2039
Poles	1C	0.0433	0.1072	0.0473	0.0199	0.0122	0.0383	0.2682
Conduit	4C	0.021	0.1082	0.0482	0.0023	0.0122	0.0383	0.2302
Aer. Cable - Fiber	822C	0.0492	0.109	0.048	0.0219	0.0122	0.0383	0.2786
Bur. Cable - Fiber	845C	0.0471	0.1061	0.047	0.0169	0.0122	0.0383	0.2676
UG Cable - Fiber	85C	0.0536	0.1052	0.0462	0.0116	0.0122	0.0383	0.2671

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
1 YEAR SERVICE LIFE FOR USE WITH NON-REUSABLE PLANT IN ALL CONTRACT PLANS**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	1	0.0646	0.0289	0.0132	0.0122	0.0383	1.1572
Subscriber PG	758C	1	0.0646	0.0289	0.0071	0.0122	0.0383	1.1511
Land	20C	0	0.1244	0.0556	0	0.0122	0	0.1922
Buildings	10C	1	0.0646	0.0289	0.0041	0.0122	0	1.1098
Poles	1C	1	0.0646	0.0289	0.0199	0.0122	0.0383	1.1639
Conduit	4C	1	0.0646	0.0289	0.0023	0.0122	0.0383	1.1463
Aer. Cable - Fiber	822C	1	0.0646	0.0289	0.0219	0.0122	0.0383	1.1659
Bur. Cable - Fiber	845C	1	0.0646	0.0289	0.0169	0.0122	0.0383	1.1609
UG Cable - Fiber	85C	1	0.0646	0.0289	0.0116	0.0122	0.0383	1.1556

**LIGHTGATE SERVICE
GEORGIA STATE SPECIFIC**

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
AVERAGE SERVICE LIVES FOR USE WITH REUSABLE PLANT IN ALL CONTRACT PLANS**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	0.1243	0.0748	0.0336	0.0196	0.0076	0.0437	0.3036
Subscriber PG	758C	0.338	0.0845	0.0364	0.0106	0.0076	0.0437	0.5208
Land	20C	0	0.1192	0.054	0	0.0076	0	0.1808
Buildings	10C	0.0311	0.1134	0.0511	0.0039	0.0076	0	0.2071
Poles	1C	0.0948	0.0944	0.042	0.053	0.0076	0.0437	0.3355
Conduit	4C	0.0229	0.1076	0.0486	0.0064	0.0076	0.0437	0.2368
Aer. Cable - Fiber	822C	0.0717	0.0995	0.0438	0.0138	0.0076	0.0437	0.2801
Bur. Cable - Fiber	845C	0.0699	0.1019	0.0451	0.0092	0.0076	0.0437	0.2774
UG Cable - Fiber	85C	0.0745	0.1002	0.0446	0.0067	0.0076	0.0437	0.2773

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
1 YEAR SERVICE LIFE FOR USE WITH NON-REUSABLE PLANT IN M-T-M CONTRACT PLAN**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	1	0.0646	0.0293	0.0196	0.0076	0.0437	1.1648
Subscriber PG	758C	1	0.0646	0.0293	0.0106	0.0076	0.0437	1.1558
Land	20C	0	0.1244	0.0564	0	0.0076	0	0.1884
Buildings	10C	1	0.0646	0.0293	0.0039	0.0076	0	1.1054
Poles	1C	1	0.0646	0.0293	0.053	0.0076	0.0437	1.1982
Conduit	4C	1	0.0646	0.0293	0.0064	0.0076	0.0437	1.1516
Aer. Cable - Fiber	822C	1	0.0646	0.0293	0.0138	0.0076	0.0437	1.159
Bur. Cable - Fiber	845C	1	0.0646	0.0293	0.0092	0.0076	0.0437	1.1544
UG Cable - Fiber	85C	1	0.0646	0.0293	0.0067	0.0076	0.0437	1.1519

**LIGHTGATE SERVICE
KENTUCKY STATE SPECIFIC**

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
AVERAGE SERVICE LIVES FOR USE WITH REUSABLE PLANT IN ALL CONTRACT PLANS**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	0.1432	0.0737	0.0337	0.0181	0.0068	0.0302	0.3057
Subscriber PG	758C	0.2448	0.0855	0.0394	0.0048	0.0068	0.0302	0.4115
Land	20C	0	0.1194	0.0577	0	0.0068	0	0.1839
Buildings	10C	0.0319	0.1141	0.0549	0.005	0.0068	0	0.2127
Poles	1C	0.0698	0.1002	0.0457	0.0211	0.0068	0.0302	0.2738
Conduit	4C	0.0304	0.1074	0.0512	0.0019	0.0068	0.0302	0.2279
Aer. Cable - Fiber	822C	0.0604	0.1026	0.048	0.013	0.0068	0.0302	0.261
Bur. Cable - Fiber	845C	0.0663	0.1014	0.0477	0.0148	0.0068	0.0302	0.2672
UG Cable - Fiber	85C	0.0596	0.1029	0.0469	0.0087	0.0068	0.0302	0.2551

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
1 YEAR SERVICE LIFE FOR USE WITH NON-REUSABLE PLANT IN M-T-M CONTRACT PLAN**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	1	0.0646	0.0312	0.0181	0.0068	0.0302	1.1509
Subscriber PG	758C	1	0.0646	0.0312	0.0048	0.0068	0.0302	1.1376
Land	20C	0	0.1244	0.0601	0	0.0068	0	0.1913
Buildings	10C	1	0.0646	0.0312	0.005	0.0068	0	1.1076
Poles	1C	1	0.0646	0.0312	0.0211	0.0068	0.0302	1.1539
Conduit	4C	1	0.0646	0.0312	0.0019	0.0068	0.0302	1.1347
Aer. Cable - Fiber	822C	1	0.0646	0.0312	0.013	0.0068	0.0302	1.1458
Bur. Cable - Fiber	845C	1	0.0646	0.0312	0.0148	0.0068	0.0302	1.1476
UG Cable - Fiber	85C	1	0.0646	0.0312	0.0087	0.0068	0.0302	1.1415

**LIGHTGATE SERVICE
LOUISIANA STATE SPECIFIC**

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
AVERAGE SERVICE LIVES FOR USE WITH REUSABLE PLANT IN ALL CONTRACT PLANS**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	0.1	0.0771	0.0332	0.0175	0.0171	0.0284	0.2733
Subscriber PG	758C	0.208	0.0893	0.0371	0.0017	0.0171	0.0284	0.3816
Land	20C	0	0.1192	0.0532	0	0.0171	0	0.1895
Buildings	10C	0.0216	0.1157	0.0513	0.0029	0.0171	0	0.2086
Poles	1C	0.0459	0.1076	0.0472	0.0141	0.0171	0.0284	0.2603
Conduit	4C	0.021	0.1091	0.0484	0.0029	0.0171	0.0284	0.2269
Aer. Cable - Fiber	822C	0.048	0.1048	0.0446	0.0164	0.0171	0.0284	0.2593
Bur. Cable - Fiber	845C	0.044	0.1063	0.0461	0.0091	0.0171	0.0284	0.251
UG Cable - Fiber	85C	0.048	0.1056	0.0457	0.0096	0.0171	0.0284	0.2544

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
1 YEAR SERVICE LIFE FOR USE WITH NON-REUSABLE PLANT IN M-T-M CONTRACT PLAN**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	1	0.0646	0.0288	0.0175	0.0171	0.0284	1.1564
Subscriber PG	758C	1	0.0646	0.0288	0.0017	0.0171	0.0284	1.1406
Land	20C	0	0.1244	0.0555	0	0.0171	0	0.197
Buildings	10C	1	0.0646	0.0288	0.0029	0.0171	0	1.1134
Poles	1C	1	0.0646	0.0288	0.0141	0.0171	0.0284	1.153
Conduit	4C	1	0.0646	0.0288	0.0029	0.0171	0.0284	1.1418
Aer. Cable - Fiber	822C	1	0.0646	0.0288	0.0164	0.0171	0.0284	1.1553
Bur. Cable - Fiber	845C	1	0.0646	0.0288	0.0091	0.0171	0.0284	1.148
UG Cable - Fiber	85C	1	0.0646	0.0288	0.0096	0.0171	0.0284	1.1485

**LIGHTGATE SERVICE
MISSISSIPPI STATE SPECIFIC**

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
AVERAGE SERVICE LIVES FOR USE WITH REUSABLE PLANT IN ALL CONTRACT PLANS**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	0.1308	0.0722	0.0307	0.0162	0.0239	0.0301	0.3039
Subscriber PG	758C	0.239	0.0811	0.0323	0.0015	0.0239	0.0301	0.4079
Land	20C	0	0.1193	0.0526	0	0.0239	0	0.1958
Buildings	10C	0.0291	0.1123	0.0498	0.0009	0.0239	0	0.216
Poles	1C	0.0816	0.0966	0.0415	0.0485	0.0239	0.0301	0.3222
Conduit	4C	0.0302	0.1065	0.0463	0.0007	0.0239	0.0301	0.2377
Aer. Cable - Fiber	822C	0.0584	0.1017	0.0447	0.0144	0.0239	0.0301	0.2732
Bur. Cable - Fiber	845C	0.0671	0.1001	0.0443	0.0103	0.0239	0.0301	0.2758
UG Cable - Fiber	85C	0.079	0.0985	0.041	0.0096	0.0239	0.0301	0.2821

**ACCOUNT AVERAGE FCC INCREMENTAL ANNUAL COST FACTORS
1 YEAR SERVICE LIFE FOR USE WITH NON-REUSABLE PLANT IN M-T-M CONTRACT PLAN**

ITEM	FIELD REPORTING CODE	DEPRECIATION	COST OF MONEY 13.34%	INCOME TAX	MAINTENANCE	AD VALOREM TAX	ADMINISTRATION INCLUDING MARKETING	TOTAL
Circuit-Digital PG	257C	1	0.0646	0.0285	0.0162	0.0239	0.0301	1.1633
Subscriber PG	758C	1	0.0646	0.0285	0.0015	0.0239	0.0301	1.1486
Land	20C	0	0.1244	0.0549	0	0.0239	0	0.2032
Buildings	10C	1	0.0646	0.0285	0.0009	0.0239	0	1.1179
Poles	1C	1	0.0646	0.0285	0.0485	0.0239	0.0301	1.1956
Conduit	4C	1	0.0646	0.0285	0.0007	0.0239	0.0301	1.1478
Aer. Cable - Fiber	822C	1	0.0646	0.0285	0.0144	0.0239	0.0301	1.1615
Bur. Cable - Fiber	845C	1	0.0646	0.0285	0.0103	0.0239	0.0301	1.1574
UG Cable - Fiber	85C	1	0.0646	0.0285	0.0096	0.0239	0.0301	1.1567